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Message Text

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42
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FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 7873
INFO AMEMBASSY COPENHAGEN
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AMEMBASSY STOCKHOLM

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E.O. 11652:N/A
TAGS: EALR, EEWT, ENRG, UR, FI
SUBJECT: FINNISH-USSR BASIC TRADE AGREEMENT FOR
1976-1980 SIGNED

1. SUMMARY: SIXTH FINNISH-USSR TRADE AGREEMENT, COVERING 1976 THROUGH 1980 PERIOD, HAS BEEN SIGNED. AGREEMENT PROVIDES FOR DOUBLING OF TOTAL VALUE OF TRADE AS COMPARED TO ACTUAL TRADE UNDER CURRENT BASIC 5 YEAR AGREEMENT. CRUDE OIL AND OTHER ENERGY SOURCES WILL DOMINATE SOVIET EXPORTS TO FINLAND; WHILE FINLAND'S MAIN EXPORTS TO USSR WILL BE PRODUCTS OF METAL PROCESSING INDUSTRY SUCH AS SHIPS, MACHINERY AND EQUIPMENT. USSR WAS FINLAND'S MOST IMPORTANT SUPPLIER IN FIRST SEVEN MONTHS OF 1974 AND SHOULD CONTINUE TO RANK FIRST FOR SOME YEARS BECAUSE OF HIGH PRICE OF SOVIET CRUDE OIL AND PRODUCTS. END SUMMARY.

2. THE SIXTH BASIC TRADE AGREEMENT CONCERNING THE EXCHANGE OF GOODS BETWEEN FINLAND AND THE USSR AND THE
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PAYMENTS ARRANGEMENTS PERTAINING THERETO WAS SIGNED IN

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HELSINKI ON SEPTEMBER 12 BY FINLAND'S FOREIGN TRADE MINISTER JERMU LAINE AND SOVIET FOREIGN TRADE MINISTER N.S. PATOLITSHEV. THE PERIOD COVERED BY THE JUST-SIGNED AGREEMENT IS JAN 1. 1976 THROUGH 1980. IMPLEMENTING TRADE AGREEMENTS WILL BE NEGOTIATED EACH YEAR TO CARRY OUT INTENT OF BASIC AGREEMENT.

3. AMONG MORE INTERESTING PROVISIONS OF NEW AGREEMENT IS ONE INCREASING PERMISSIBLE SWING CREDIT IN BILATERAL CLEARING ACCOUNT FROM CURRENT 30 MILLION RUBLES TO 50 MILLION RUBLES (ON SEPT. 13, 1 RUBLE EQUALLED 5.028 FINNMARKDS). IF THIS IS EXCEEDED, PARTY IN SURPLUS HAS RIGHT TO REQUEST PAYMENT OF EXCESS AMOUNT IN GOLD OR CONVERTIBLE CURRENCIES. THIS RIGHT HAS NOT BEEN EXERCISED UNDER PREVIOUS AGREEMENTS, EVEN WHEN IT COULD HAVE BEEN.

4. CRUDE OIL, FUEL OIL AND OTHER PETROLEUM PRODUCTS, COAL, COKE, NATURAL GAS AND ELECTRICAL ENERGY WILL MAKE UP ABOUT TWO-THIRDS OF FINLAND'S IMPORTS FROM THE USSR. FINLAND HAD HOPED FOR AN INCREASE IN CURRENT 6.5 MILLION METRIC TON ANNUAL QUOTA OF CRUDE OIL, BUT USSR REFUSED, CITING NEED FOR ITS CRUDE IN USSR AND TO SUPPLY COMECON COUNTRIES. SOVIETS INSTEAD AGREED TO SUPPLY FROM 0.8 MILLION TO 2.0 MILLION TONS OF DIESEL OIL. FINLAND WOULD PREFER TO SUPPLY ITS DIESEL NEEDS FROM THE OUTPUT OF ITS STATE-OWNED REFINERY SO MAY NOT IMPORT FULL QUOTA OF DIESEL OIL.

5. DURING PERIOD JANUARY THROUGH JULY 1974 USSR WAS, FOR FIRST TIME SINCE 1968, FINLAND'S MOST IMPORTANT SOURCE OF IMPORTS, IN TERMS OF VALUE. IN SAME PERIOD LAST YEAR IT RANKED THIRD, BEHIND SWEDEN AND WEST GERMANY. USSR IS LIKELY TO REMAIN MOST IMPORTANT IMPORT SOURCE FOR SEVERAL YEARS AT LEAST. REASON IS ALMOST ENTIRELY THE SHARP RISE IN PRICE OF SOVIET CRUDE OIL AND PRODUCTS BEGINNING JANUARY 1, WHEN IN ACCORDANCE WITH BASIC TRADE AGREEMENT NEW PRICES NEGO-TIATED WERE AT WORLD MARKET LEVELS. SOIVETS STRUCK HARD BARGAIN AND REPORTEDLY INSISTED ON PRICE OF CRUDE WHICH WAS IN HIGHEST RANGE OF WORLD MARKET PRICES. PRICE OF CRUDE FOR JULY-DECEMBER 1974 PERIOD HAS STILL NOT BEEN UNCLASSIFIED

NEGOTIATED ALTHOUGH DELIVERIES ARE CONTINUING. FINNS ARE LIKELY TO HAVE TO ACCEPT CONTINUATION OF CURRENT HIGH PRICE LEVEL. ON OTHER HAND, USSR HAS INFORMALLY UNDERTAKEN TO GIVE FINLAND SEVERAL YEARS TO BRING TRADE BACK INTO BALANCE BY INCREASING ITS EXPORTS TO USSR.

6. SOMEWHAT SURPRISINGLY, IN VIEW OF FINLAND'S LARGE

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DEFICIT IN COMMODITY TRADE THIS YEAR WITH USSR, OTHER
FACTORS HAVE SO FAR KEPT DEFICIT BELOW 30 MILLION RUBLE
SWING CREDIT PROVIDED IN CURRENT BASIC AGREEMENT. MAJOR
FACTOR HAS BEEN SOVIET ADVANCE PAYMENTS FOR SHIPS AND IN RESPECT
TO THE NORILSK COPPER-NICKEL SMELTING PROJECT.

7. TEXT OF NEW BASIC TRADE AGREEMENT PLUS ADDITIONAL
COMMENT WILL BE SENT BY AIRGRAM.
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